

Message Text

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ORIGIN SS-25

INFO OCT-01 ADP-00 /026 R

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5/31/73, EXT. 22656

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R 312325 Z MAY 73

FM SECSTATE WASHDC

TO USLO PEKING

S E C R E T STATE 105075

EXDIS

E. O. 11652: GDS

TAGS: CPRS, CH

SUBJECT: US- PRC CLAIMS NEGOTIATIONS

REF: PEKING 0200

1. LAST EXCHANGE RE PRIVATE CLAIMS AND FROZEN ASSETS TOOK PLACE MARCH 21 IN PARIS. IN THAT MEETING THE US PROPOSED CERTAIN MINOR CHANGES OF WORDING IN THE CHINESE REDRAFT OF THE DRAFT EXCHANGE OF LETTERS BETWEEN THE PRESIDENT AND PREMIER CHOU SETTling THE CLAIMS PROBLEM ON THE BASIS OF A MUTUAL ASSIGNMENT OF CLAIMS. WE ALSO STATED " WE TRUST THE PRC UNDERSTANDS THAT THE DRAFT EXCHANGE OF LETTERS SETTling US- PRC CLAIMS DOES NOT INCLUDE CLAIMS AGAINST THE PRC BASED UPON DEFAULTED CHINESE GOVERNMENT TREASURY NOTES, RAILWAY LOANS, PACIFIC DEVELOPMENT BONDS, AND OTHER BONDED INDEBTEDNESS ISSUED BY PREDECESSOR CHINESE GOVERNMENTS PRIOR TO OCTOBER 1, 1949... WHILE IT IS WELL SETTLED UNDER INTERNATIONAL LAW THAT SUCCESSOR GOVERNMENTS ARE HELD RESPONSIBLE FOR THE OBLIGATIONS

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CONTRACTED BY THEIR PREDECESSORS, WE DO NOT WISH AT PRESENT TO ADDRESS THIS POINT. THE USG WILL FOLLOW ITS TRADITIONAL POLICY AND PRACTICE AND NOT ESPOUSE CLAIMS OF ITS NATIONALS AGAINST THE PRC FOR DEFAULTED BONDS AND WILL CONSIDER THE MATTER ONE FOR DIRECT NEGOTIATION AND SETTLEMENT BETWEEN THE AMERICAN BONDHOLDERS OR THEIR REPRESENTATIVES AND THE FOREIGN GOVERNMENTS CONCERNED."

2. FYI DEPARTMENT NOW MAKING ARRANGEMENTS TO POUCH TO USLO COPIES OF TELEGRAPHIC EXCHANGES THROUGH THE PARIS CHANNEL, INCLUDING THE DRAFT SETTLEMENT OF PRIVATE CLAIMS AND FROZEN ASSETS. END FYI.

3. IN INFORMAL CONVERSATION BETWEEN PRC MFA US AFFAIRS FUNCTIONARY NI YAO- LI AND USLO ADVANCE OFFICER FREEMAN IN TIENTSIN, MAY 4, QUESTION OF CLAIMS CAME UP. NI TOLD FREEMAN THAT INASMUCH AS US SIDE HAD RAISED NEW SUBJECT NOT COVERED IN EARLIER DISCUSSION OF CLAIMS, I. E., BOND-HOLDERS CLAIMS, PRC NOW ENGAGED IN STUDY OF THIS MATTER. FREEMAN EMPHASIZED OUR WILLINGNESS TO PROVIDE FURTHER INFORMATION IF REQUESTED TO DO SO BY CHINESE AND STATED OPINION THAT BONDHOLDERS ISSUE SHOULD NOT BE IMPEDIMENT TO CLAIMS SETTLEMENT. NI AGREED THAT IT WAS IN INTEREST OF BOTH SIDES TO RESOLVE THE CLAIMS PROBLEM QUICKLY SO THAT WE MIGHT MOVE ON TO DISCUSSION OF REMOVING OTHER IMPEDIMENTS TO BILATERAL TRADE AND SAID THAT HE EXPECTED THE CHINESE WOULD BE BACK IN TOUCH WITH US ON CLAIMS WITHIN " A MATTER OF WEEKS RATHER THAN MONTHS".

4. BALL IS NOW IN CHINESE COURT. RECOMMEND YOU NOT SEEK SPECIAL MEETING TO DISCUSS CLAIMS ISSUE WITH THE CHINESE BUT IF OPPORTUNITY PRESENTS ITSELF IN DISCUSSION OF OTHER MATTERS WITH HIGH- RANKING CHINESE OFFICIALS WOULD BE APPROPRIATE TO INQUIRE IN LOW- KEY WHAT THE CURRENYT STATUS OF CLAIMS ISSUE IS AND WHEN THE CHINESE ANTICIPATE RESPONDING TO THE US PROPOSALS OF MARCH 21. RUSH

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*** Current Handling Restrictions *** EXDIS

*** Current Classification *** SECRET

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 31 MAY 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE105075
Document Source: CORE
Document Unique ID: 00
Drafter: CWFREEMAN, JR.: EBS
Enclosure: n/a
Executive Order: GDS
Errors: n/a
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730555/aaaajvgv.tel
Line Count: 103
Locator: TEXT ON-LINE
Office: ORIGIN SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 73 PEKING 0200
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 31 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31-Jan-2002 by collinp0>; APPROVED <26 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 980306
Subject: US- PRC CLAIMS NEGOTIATIONS
TAGS: CPRS, CH, CPRS
To: USLO PEKING
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005